

Market Snapshot – October 2019

Recovered plastic prices increased sharply during the third quarter of 2019, supported by near record high plastic PRN prices. While all recovered plastic prices have increased during this period coloured PET bottle prices saw the largest jump, rising by £60 per tonne (or 166%) to £93 per tonne, the highest value since March 2012. Based on the latest published trade data (July 2019) the most important export destination for the UK's recovered plastics is Turkey – accounting for almost one-quarter of UK exports.

The slowdown in global manufacturing activity appears to be having a negative impact on the price of OCC. The price of domestic OCC fell by 25% during the period June to August 2019 to around £40 per tonne, the lowest level since January 2009. Mid-2019 marks a significant change in UK recovered paper export markets, as for the first time this century China is no longer the dominant export destination.

Aluminium PRN prices increased from £150 per tonne to £415 per tonne during the third quarter due to uncertainty over whether the 2019 target would be met. Manufacturing activity in Germany (key end market for the UK's reprocessed aluminium) has been particularly weak; German manufacturing output fell to its lowest level for more than 10 years in September.

Aluminium, steel, glass and textiles prices are broadly stable during the third quarter.

Table 1: Key recovered material prices

£ per tonne	Aug-18	Jun-19	Aug-19	% change	
				Jun-19 to Aug-19	One year
Recovered paper					
OCC (domestic)	88	53	40	-25%	-55%
News & PAMs	101	93	86	-8%	-15%
Mixed (domestic)	35	21	28	33%	-20%
Recovered plastic					
Clear PET	166	206	270	31%	63%
Coloured PET	21	35	93	166%	343%
Mixed HDPE	246	366	388	6%	58%
Mixed polymer	74	100	148	48%	100%
Natural HDPE	415	488	525	8%	27%
LDPE 98:2	210	193	284	47%	35%
Recovered cans					
Aluminium	1010	796	795	0%	-21%
Steel	144	131	130	-1%	-10%
Glass					
Clear	16	21	23	10%	44%
Amber	14	18	20	11%	43%
Green	11	15	15	0%	36%
Mixed	10	11	13	18%	30%
Textiles					
Banks	205	208	190	-9%	-7%
Charity Shops	263	329	330	0%	25%

Source: WRAP Materials Pricing Report

Note: Percentage changes are based on the mid-points of the ranges where applicable.

RECOVERED MATERIAL MARKETS

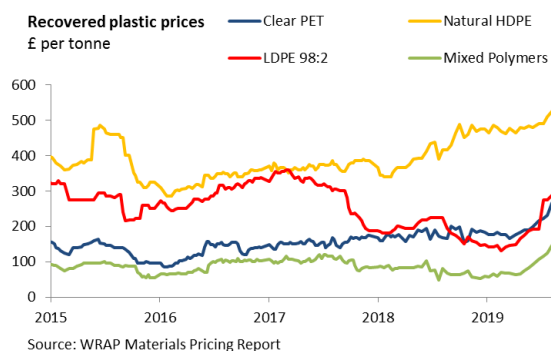
Plastics

Recovered plastic prices increased sharply between June and August 2019, supported by near record high plastic PRN prices.

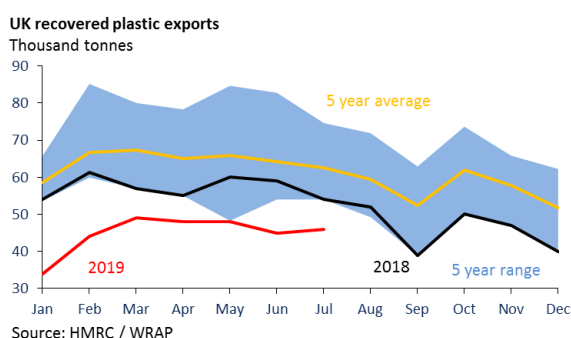
The price of coloured PET bottle's increased by £60 per tonne (or 166%) to £93 per tonne, the highest value since March 2012. Clear PET bottle prices exhibited a similar increase to reach £270 per tonne, the highest value for six years.

HDPE bottle prices saw much more muted price hikes (up ~7%). Mixed HDPE bottle prices increased by £22 per tonne to almost £390 per tonne, while the price of natural HDPE bottle's increased by £37 per tonne to £525 per tonne.

Over the same period the price of mixed polymer bottle's and LDPE film increased by one-half to £148 per tonne and £284 per tonne respectively.



According to the latest HMRC trade data, the UK exported 314kt of recovered plastic (both packaging and non-packaging) during Jan-Jul 2019, down 22% compared with year earlier levels. Based on the latest published trade data (July 2019) the most important export destinations are Turkey (23% of July exports), Hong Kong (16.5%), Indonesia and Poland (both accounting for 9%).



Plastic PRN prices continued to rise during Q3 2019 after Q2 reprocessing data showed that just over 50% of obligated tonnage had been reprocessed during the first half of the year, anticipated new obligation registrations and on fears over further restrictions in export markets. **Plastic PRN prices increased from £250 per tonne in early July to £400-£450 per tonne by end August** before remaining close to these levels during September. Q3 2019 reprocessing data is scheduled to be published on 23rd October.

Box 1: Developments in import restrictions

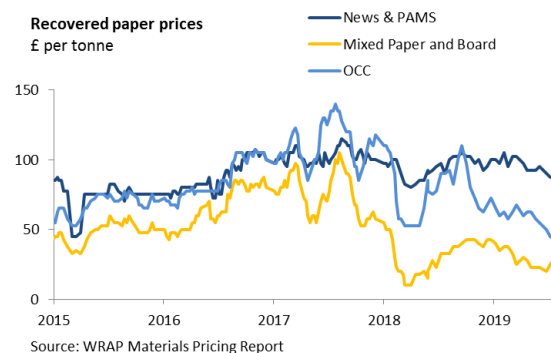
Beginning in March 2019, India announced that waste plastic imports were banned, apart from recycling units operating in Special Economic Zones and Export Oriented Units. The ban on imports into these areas came into force 31st August 2019.

In August 2019 UK exporters received a notice from the inspection firm acting on behalf of the Indonesian import inspections agency that a 0% limit would be imposed on all exports bound for Indonesia. It is understood that Indonesia has since changed their standards from zero non-specific material to 0.5%. Restrictions apply to all countries exporting material to Indonesia.

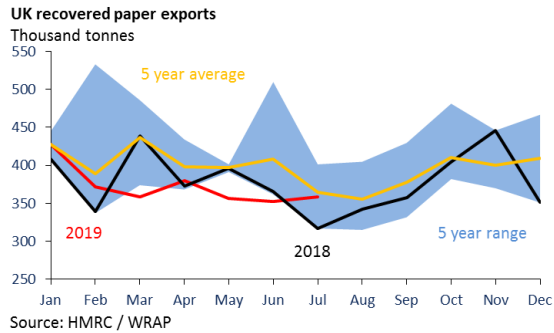
Paper

The price of domestic OCC fell by 25% during the period June to August 2019 to around £40 per tonne. The slowdown in global manufacturing activity is thought to have contributed to the fall in prices (see Box 2).

In contrast mixed paper and board prices increased by one-third to just under £30 per tonne, supported by increased demand from India. News & PAM prices declined by 8% to £86 per tonne.



According to the latest HMRC trade data, the UK exported 2.6Mt of recovered paper in the period Jan-Jul 2019, unchanged from the same period in 2018. **Mid-2019 marks an important milestone for UK recovered paper exports. For the first time China is not the main export end destination.** Based on the latest published trade data (July 2019) the most important export destinations are India (35% of July exports), China (25%) and Indonesia (7%).



Paper PRN prices have been stable around £15-£20 per tonne during the third quarter of 2019. Based on data from accredited reprocessors covering the first half of 2019, the sector is estimated to have met around 70% of its annual target. Reprocessing data for the third quarter is scheduled to be published on 23rd October.

Box 2: Manufacturing slowdown

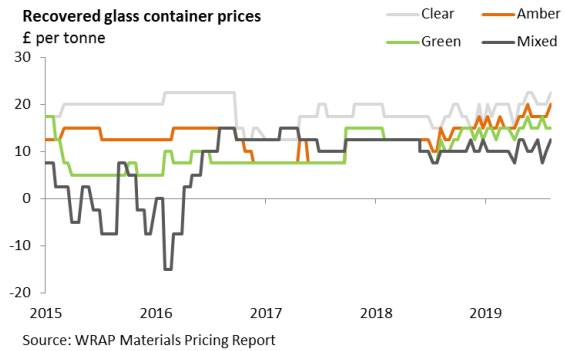
Global manufacturing activity continues to deteriorate according to the latest purchasing manager's index (PMI) survey from JPMorgan. September marked the fifth straight month in which the majority of manufacturing companies reported falling output.

Activity in Germany has been particularly weak. Manufacturing output fell to its lowest level for more than 10 years in September. Germany is a key end market for the UK's reprocessed aluminium.

Manufacturing activity in India (now the primary export end market for the UK's recovered paper) is still growing, but the rate of growth is also declining. Activity in September posted its joint lowest reading since May 2018.

Glass

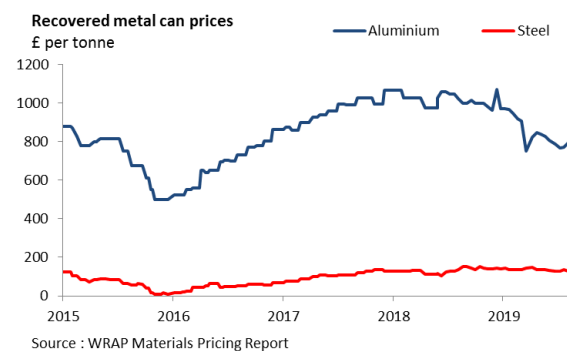
The price of cullet increased by around £2 per tonne during the third quarter of 2019 (up around 10%-20%). Green cullet was the exception with prices remaining around £15 per tonne.



Glass PRN prices have remained broadly stable around £20-£25 per tonne during Q3 2019. Data from the first half of 2019 showed that at the current rate glass is exceeding its target for the year. Reprocessing data for the third quarter is scheduled to be published on 23rd October.

Aluminium & steel

Recovered steel and aluminium can prices are stable during Q3 2019 at around £800 per tonne and £130 per tonne respectively.



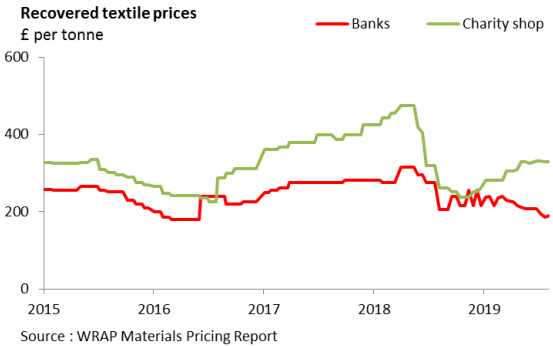
Aluminium PRN prices increased from £150 per tonne to £415 per tonne in late September due to uncertainty over whether the 2019 target would be met (Q2 2019 reprocessing data showed that just less than 50% of obligated tonnage had been reprocessed during the first half of the year) and concern over end market demand (see Box 2).

Meanwhile, steel PRN prices have remained stable around £25-£30 per tonne. Q2 2019 reprocessing data showed that around 57% of obligated tonnage had been reprocessed during the first half of the year.

Quarter three reprocessing data for both aluminium and steel packaging reprocessing is scheduled to be published on 23rd October.

Textiles

Recovered textile prices were broadly stable during the third quarter of 2019; bank prices fell 9% to around £190 per tonne while charity shop grade prices were stable at around £330 per tonne. Note that the quality of the textiles collected and transport costs may have a significant impact on the overall price achieved.



Gate fees

The twelfth annual WRAP Gate Fees report covering calendar year 2018 revealed that MRF gate fees (those charged to local authorities) were broadly stable when compared with 2017. For contracts starting in 2018 the median MRF gate fee was estimated at £35 per tonne, unchanged from 2017.

WRAP Economics Team
October 2019

Glossary

CPI	Confederation of Paper Industries
EA	Environment Agency
HDPE	High density polyethylene
HMRC	Her Majesty's Revenue & Customs
kt	Thousand tonnes
LDPE	Low density polyethylene
Mt	Million tonnes
News & PAMs	Newspapers & magazines
NPWD	National Packaging Waste Database
OCC	Old corrugated cardboard
PET	Polyethylene terephthalate
PRN	Packaging Recovery Note

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